

**U.S. CUSTOMS SERVICE
OFFICE OF STRATEGIC TRADE
REGULATORY AUDIT DIVISION**

**GENERAL QUESTIONNAIRE
FOR COMPLIANCE ASSESSMENTS**

INTRODUCTION

The objective of the General Questionnaire for Compliance Assessments is to get information about the audit candidate's organizational structure, relationship to suppliers, record keeping system, internal controls, basis for the declared Customs value and other procedures concerning Customs. The questionnaire is designed to give the audit team a general understanding of the company's import operations and, at the same time, to tell the audit candidate the areas on which the compliance assessment will focus. As each import company's operations are unique, a standard general questionnaire would not accomplish the task of gathering information for all companies. Therefore, each compliance assessment necessitates that this general questionnaire be modified to fit the circumstances of each audit candidate.

REVIEW SCOPE

When the importer responds to the questionnaire completely and comprehensively, it permits the audit team to plan its approach to the audit, including discussions with company personnel and reviews of company procedures. The information gained forms a part of the basis for the audit team's decisions on what areas to test during the compliance assessment.

Answering the questionnaire also affords the audit candidate the opportunity to be better prepared for the audit by allowing company personnel to focus on those areas of interest previously identified. With proper planning and preparedness, the compliance assessment can go smoothly and efficiently.

A. General Organizational Information:

1. Describe your overall organizational structure, and provide organization charts and similar information.
2. Provide the names and addresses of any foreign and/or domestic, related companies (see footnote #8, page 5), such as company's parent, sister, subsidiaries, joint ventures, etc.

3. Please provide the name and a contact person for external financial auditors, such as a certified public accountant, and authorization to contact those auditors.
4. Please provide the name, title, and telephone number of the official(s) preparing information for this questionnaire.
5. Please provide the name, title, and telephone number of the person who will be the U. S. Customs contact during the review.

B. Customs Related Activities:

1. Identify any broker's bond under which the company imports.
2. Do you use NAFTA duty deferral programs (e.g., Foreign Trade Zones, Bonded Warehouses, Temporary Importation under Bond, etc.) to manufacture or process foreign merchandise, which is subsequently exported to Canada? If yes, please explain.

C. Record Keeping System:

1. Identify the location(s) of your records.
2. Identify the source of records and information used to file a Customs entry. Explain how they are created, maintained and transferred. Provide copies of any written operating procedures and internal controls over record production and retention.
3. Using source records for support, provide a description and/or flowchart of the company's activities including general ledger account numbers for recording the acquisition of foreign merchandise in the following areas:
 - purchase of foreign merchandise
 - receipt of foreign merchandise
 - recording in inventory
 - payments made to foreign vendor
 - distribution to customers
 - export of merchandise, if applicable.
4. Does your company participate in the Customs Recordkeeping Compliance Program? If yes, please provide a copy of the certification agreement.
5. Are the financial records linked to import transactions by entry numbers, invoice numbers or other identifiers? Please explain.

6. What methods of payment are used for foreign purchases, i.e. letters of credit, wire transfers, checks? Are payments made in U.S. dollars or other currency? How frequently are payments made to foreign vendors?
7. What is the usual period of record retention for the company, and what storage media are used?

D. Internal Controls:

1. Identify the company's formal policies and procedures manuals or other written directives related to the handling of Customs activities. If there are no formal written procedures, provide a written summary of your procedures that make up the internal control structure for Customs transactions.
2. Explain procedures to ensure that assists, commissions, royalties, license fees (see footnotes #6 and #7, page 5), freight and other dutiable costs are correctly reported to Customs.
3. Explain procedures to ensure that non-dutiable costs such as international freight and insurance are accurate and fully supported by documentation.
4. Explain results of evaluations (internal or external) of the effectiveness of the company's system of internal controls, particularly with respect to Customs-related operations.

E. Customs value Information

If the response to the first question, basis of valuation, is other than the transaction value of the imported merchandise, please ignore the remaining questions and provide details as to how you derive the declared value of the imported goods. If the subject of a ruling letter, please provide a copy or a reference to the ruling letter number.

1. Identify the basis of valuation¹, as prescribed in 19 CFR 152.101, used to value the imported merchandise from each of your major suppliers (a major supplier is one who supplies at least 10% of the company's total foreign purchases).
2. Do you obtain the imported merchandise through a purchase transaction or are the goods obtained through consignment? Does your company take title to the goods? Explain when title passes from the foreign vendor to your company.
3. Do the commercial invoice prices reflect the price actually paid or payable for the

¹ Bases of value are, in order, the transaction value of imported merchandise, the transaction value of identical or similar merchandise, deductive value, computed value, and a value provided for in 19 C.F.R. 152.107

imported merchandise (i.e., the total payment made or to be made by your company, directly or indirectly to the foreign vendor, to obtain the imported merchandise)?

4. Are there any other payments made (except for transport costs) to obtain the imported merchandise (e.g., quota payments, currency fluctuations, interest payments, inspection fees, management fees, advertising or marketing costs, warranty, etc.)? If yes, identify the nature of the payment(s), the party to whom they are paid and the general ledger accounts used to record such payments.
5. Specify the terms of sale (e.g., ex-factory, f.a.s., f.o.b., c.i.f.,² etc) unless they are specifically stated on the commercial invoice.
6. Explain the transportation procedures, both international and domestic, to move the imported merchandise from the foreign point of origin to the final destination in the US. Identify the general ledger accounts used to record the various freight charges³.
7. Explain any contractual agreements between your company and the foreign supplier with any shippers or freight forwarders. Identify and explain any rebates received by your company or the foreign supplier from these shippers and freight forwarders. Identify the general ledger accounts used to record these rebates.
8. Identify and explain any retroactive (i.e., after the goods have been imported) price increases, rebates, allowances or other price adjustments for the imported merchandise which accrue to your company or are paid, directly or indirectly, to the foreign vendor. Identify the general ledger account used to record such transactions.
9. Identify and explain any transactions where the resale, disposal or use of the imported merchandise by your company is restricted or hampered in any way by the foreign vendor or any third party (except those "restrictions" imposed or required by law).
10. Identify and explain any special conditions or considerations which impact the sale or price of the imported merchandise.⁴
11. Identify the costs of packing the imported goods, including labor and material

² Shipping or delivery terms, found in and referred to as, INCOTERMS (Published by the International Chamber of Commerce)

³ E.g., foreign inland freight, cartage or lighterage, loading and unloading, warehousing, ocean and air freight, air and marine insurance, US unloading, US domestic freight, Customs duties, etc.

⁴ (i.e., where the sale or the price of the merchandise is determined, in whole or in part, by factors other than the cost of the goods themselves).

costs, incurred by your company which are not already included in the price of the merchandise, in order to get the merchandise, in condition, ready to be shipped to the US. Identify the party(s) to whom such costs are paid. Identify the general ledger account(s) used to record such transactions.

12. Identify if there are any "middlemen"⁵ involved in the transaction. Explain the nature of the middleman's involvement.
13. Identify if there are any agents involved in the transactions. If yes, is their role that of buying or selling agent? Is there an agency agreement in writing? If yes, provide a copy. Are any commissions paid and if yes, to whom? Identify the general ledger accounts used to record the commission.
14. Indicate if your company supplied to the foreign vendor, either free or at a reduced cost, and whether directly or indirectly, any assists⁶ for use in the production or sale of the imported merchandise and which amount is not already included in the price actually paid or payable for the imported merchandise.
15. Identify whether any royalties or license fees were paid for the imported merchandise or any situations in which the imported merchandise incorporates or reflects some form of intellectual property⁷ for which a payment was made to obtain the right and which payment is not already included in the price actually paid or payable. If there are, identify the general ledger accounts used to record these payments and provide any written agreements that provide details of the rights conferred.
16. Is your company related⁸ to any of the foreign vendors from whom you source imported merchandise?
17. If any of your transactions are between related parties, has your company

⁵ (i.e., third parties to the transaction between your company and the foreign vendor)

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- a) Materials, components, parts and similar items incorporated in the imported merchandise;
- b) Tools, dies, molds and similar articles used in the production of the imported merchandise
- c) Merchandise consumed in the production of the imported merchandise;
- d) Engineering, development, artwork, design work, and plans and sketches that were produced outside of the US and were necessary for the production of the imported merchandise.

⁷ (including, but not limited to, patents, trademarks, copyrights and technical know-how)

⁸ The term "related party" includes members of the same family, including brothers and sisters whether of whole or half blood and spouses, ancestors and lineal descendants; any officer or director of an organization and that organization; an officer or director of an organization and an officer or director of another organization, if each individual is also an officer or director in the other organization; partners; employer and employee; any person directly or indirectly owning, controlling or holding with power to vote, five percent or more of the outstanding voting stock or shares of any organization, and that organization; and, two or more persons directly or indirectly controlling, controlled by or under common control with, any person.

established the acceptability of your prices as transaction value?⁹

F. **Tariff Classification**

1. Has your company obtained any written classification rulings or internal advice decisions from the U.S. Customs Service? Has the tariff classification of your merchandise been the subject of a Customs court decision or have your imports been the subject of either a "Pre Importation Review Program" (PIRP) action or had a "pre class review" performed? If yes, please provide copies of the decision(s).
2. Provide any of the following, as appropriate, to assist Customs in the proper tariff classification of your merchandise: samples, technical brochures, sketches, drawings and other technical specifications, operating manuals, blueprints, etc.¹⁰
3. In classifying your merchandise under the U.S. tariff, do you rely on your customhouse broker, attorney, in-house expert(s) or outside consultant(s)?

⁹ Either by establishing that through the circumstances surrounding the sale of the imported merchandise, your price was not influenced by the relationship; or (b) your price closely approximates the price of a transaction value, deductive value or computed value of an identical or similar product

¹⁰ Tariff classification may depend upon the component material(s), method of construction, operation, use, either principal or actual, relative specificity, essential character, kinship and other factors.